

Essential Utilities, Inc.

WTRG: Recent Pullback Creates Opportunity – Upgrade To Overweight

Overweight/\$45

Water Utilities

Rating Change

- **Key Points.** We upgrade our rating on shares of WTRG to Overweight from Equal Weight as we believe the recent underperformance has created an attractive entry point. The cause of the relative pullback is not entirely clear (we offer some potential drivers in this report) but the bottom line is that we do not believe anything that has transpired fundamentally since the Q2'20 report in early August has materially impacted (1) the likelihood of DELCORA closing, (2) our EPS outlook or (3) our investment thesis.

While the DELCORA deal is highly supportive of WTRG's growth aspirations, we consider the future to be bright without it driven by elevated pipeline infrastructure investment needs for the foreseeable future supplemented by water/wastewater municipal M&A trends. We believe relatively low risk, regulated EPS growth of at least 6% is achievable – that rate of growth would simply be enhanced if DELCORA closes given the \$700M of required investment needed in the system by 2028 as well as potential further municipal wastewater deals in the region. No change to our 2020-24E EPS of \$1.56, \$1.65, \$1.77, \$1.90 & \$2.02 (which assumes an end of Q1'21 DELCORA close). Our 12-18 month price target of \$45/share (25.4X our 22E) is supported by P/E and DDM analyses.

- **Breaking Down Our P/E Valuation – Water.** Our P/E analysis results in a \$45/share value and remains predicated on a 70% water/30% gas utility hybrid P/E multiple applied to our 2022E of \$1.77. For WTRG's water utility multiple, we ascribe a 5-10% discount to the 21E multiple we use for AWK (30X, which is a 5-10% premium to the pure play water peer group median). We consider AWK to be WTRG's closest peer on the water side based on scale, key states/regions and municipal consolidation strategies. The 5-10% discount reflects a modestly lower earnings growth rate (we forecast 6-7% for WTRG's water business vs. 8% for AWK) as well as lower ESG appeal (primarily due to the Peoples gas utility).
- **Breaking Down Our P/E Valuation – Gas.** For WTRG's gas utility multiple, we utilize the 21E pure play gas LDC median of 18X (based on ATO, NWN, OGS & SR) and then apply a 5-10% premium to it. We believe a premium is warranted as (1) Peoples is at the early stages of an accelerated pipeline replacement effort under the PaPUC-approved LTIIP program which is expected to drive healthy rate base growth for the foreseeable future (WTRG's 3-year guidance is 8-10%), (2) we believe Western PA, which sits above the prolific Marcellus and Utica shale plays, is largely immune to the anti-gas sentiment impacting some areas of the country and (3) most of Peoples falls under the constructive regulatory framework of the PaPUC which includes fully forecasted test years, infrastructure surcharge mechanism recovery and a history of settled regulatory outcomes. *(Comments continue on p. 2)*

	2019A	2020E	2021E
\$ EPS		Curr. Prior	Curr. Prior
Q1 (Mar.)	0.28	0.60 A	NC NE
Q2 (June)	0.37	0.29 A	NC NE
Q3 (Sep.)	0.48	0.20	0.25 NE
Q4 (Dec.)	0.34	0.47	0.43 NE
FY	1.47	1.56	NC 1.65 NC
CY	1.47	1.56	1.65
FY P/EPS	26.8x	25.2x	23.9x
Rev.(MM)	890	1,926	2,054

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
 NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
 V = Volatile
 Adjusted EPS excludes items considered non-recurring.
 WTR expects 2020 adjusted EPS of \$1.53-1.58 and targets a 5-7% EPS CAGR through 2022 off the 2019 adjusted base of \$1.47

Ticker	WTRG
Price Target/Prior:	\$45/NC
Price (09/11/2020)	\$39.35
52-Week Range:	\$30-55
Shares Outstanding: (MM)	245.2
Market Cap.: (MM)	\$9,648.6
S&P 500:	3,340.97
Avg. Daily Vol.:	1,333,840
Dividend/Yield:	\$1.00/2.5%
LT Debt: (MM)	\$5,277.4
LT Debt/Total Cap.:	53.2%
ROE:	9.0%
3-5 Yr. Est. Growth Rate:	6.0%
CY 2020 Est. P/EPS-to-Growth:	4.2x
Last Reporting Date:	08/05/2020 After Close

NC = No Change
 Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 7 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 09/14/20 unless otherwise stated. 09/14/20 00:37:21 ET

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- **Breaking Down Our P/E Valuation – Gas.** For WTRG's gas utility multiple, we utilize the 21E pure play gas LDC median of 18X (based on ATO, NWN, OGS & SR) and then apply a 5-10% premium to it. We believe a premium is warranted as (1) Peoples is at the early stages of a multi-year accelerated pipeline replacement effort (mainly bare unprotected steel) under the PaPUC-approved LTIIP program which is expected to drive healthy rate base growth for the foreseeable future (WTRG's 3-year guidance is 8-10%), (2) we believe Western PA (the bulk of Peoples service territory), which sits above the prolific Marcellus and Utica shale plays, is largely immune to the anti-gas sentiment impacting some areas of the country and (3) most of Peoples falls under the constructive regulatory framework of the PaPUC which includes fully forecasted test years, infrastructure surcharge mechanism recovery and a history of settled regulatory outcomes. Lastly, with the electrification theme gaining momentum and potentially challenging the long-term outlook for the gas LDC model (existential threat?), we no longer believe the publicly traded LDC multiples really reflect a takeout premium and thus no adjustment is necessary when valuing Peoples.
- **Other P/E Valuation Thoughts.** Shares trade at 23.8X & 22.2X our 21E & 22E EPS or roughly 15% discounts to the "large cap" pure play waters (AWK, AWR, CWT, MSEX & SJW) of 27.9X and 26.1X. That seems a bit steep given a relatively commensurate EPS growth profile, a large concentration of EPS power and growth stemming from the water utility and a similarly large concentration of EPS power stemming from the constructive PA regulatory environment. Perhaps the main differences relate to WTRG's inferior ESG appeal and credit metrics (though S&P assigns WTRG an "A"/Stable credit rating; the same as AWK & MSEX, a notch below AWR & CWT and a notch above SJW). If an in-line water multiple was applied, it would suggest a 12-18 month forward share price of closer to \$50/share. It is also interesting to note that shares of WTRG currently trade at P/E multiples similar to high quality electric utilities WEC & XEL despite the water utility group median as a whole trading at roughly 70% premiums to regulated electrics.
- **What If DELCORA Does Not Happen?** At the risk of stating the obvious, we prefer the WTRG story with the DELCORA deal closing than without it. DELCORA is really somewhat of a unique strategic deal in our view given it not only increases WTRG's rate base by \$277M out of the gate but offers meaningful future capex needs (\$700M by 2028) as well as potential bolt-on wastewater deals in the region, particularly from municipalities that are wholesale wastewater customers of DELCORA's as well as the Tredyffrin Township Municipal Authority's trunk sewer system that WTRG acquired in 2018.

However, much of the accretion and longer-term benefits of the deal that we love so much do not start impacting WTRG's financials until the back half of our 2020-24 outlook or beyond – in fact, we believe the assumptions embedded in our model could prove conservative if DELCORA closes. On the capex side, we only bump up our '21 & '22 forecast by \$25M for DELCORA spend and then modestly grow that in '23 & '24 as it is our understanding that the majority of the \$700M of capex actually occurs more in the 2026-28 period as a treatment plant expansion and pipeline is needed to get DELCORA off Philadelphia's wastewater system by 2028. On the M&A side, we do not increase our annual deal value placeholder of \$60M for the enhanced opportunity set in the Southeast PA region that DELCORA could provide.

If we were to completely strip out the DELCORA deal, the aforementioned tick up in capex that we assume in '21-24 and all of the associated external financing (including roughly \$150M of equity), it only has a modest \$0.03-0.05 impact (less than 3%) on our 2021-24E EPS. Keep in mind that when FMV deals are first consummated, the acquiring utility typically just inherits the existing rates and it therefore takes at least 2-3 years to go through a rate case cycle in order get the acquired system's rate base to earn similar returns as the rest of acquiring utility's water or wastewater operations in the state.

Put another way, we believe WTRG's future growth would still be attractive even if the DELCORA deal does not come to fruition. There would still be time for management to continue to capitalize on the industry's FMV consolidation momentum – including in OH and TX which recently adopted the legislation and where WTRG is the big fish in the pond – and replace the growth that we believe will transpire in the 2nd half of the decade if the DELCORA deal does close.

- **Dissecting The Underperformance.** Since 8/10, shares of WTRG are -18%. Amongst water peers, SJW is -16% over the same period while the others range from -11% (MSEX) to -5% (AWK). Also worth noting, the gas LDCs are -12% while the S&P Utilities are -5%. So what gives? We have fielded a number of inbound inquiries from investors and have talked to the company but it is honestly hard to pinpoint the reason. We offer three potential contributing factors.

- (1) Macro And The Flight To Quality.** Utilities as a whole have remained out of favor in the risk-on market and those that investors seemingly want to own have been the highest quality names with generally the strongest credit metrics. This would be AWK & AWR on the water side whereas SJW & WTRG have weaker credit metrics due to recent large scale M&A.
- (2) Gas Further Out Of Favor.** It also does not help that gas LDCs have fallen further out of favor and again trade essentially in-line with electric utilities on a P/E basis. Gas LDCs used to trade at a premium to electric utilities (but below waters) due to higher rate base CAGRs spurred by pipe replacement and relatively lower regulatory risk. However the concern lately seems to be more existential due to natural gas bans being contemplated in cities on both the west and east coasts as well as electrification potential and the rising prospects of renewables plus storage to replace gas-fired generation. Most investors that we talk to use a gas multiple to value the 30% of WTRG's EPS derived from Peoples, which is consistent with our approach.
- (3) Management Putting The Cart Before The Horse?** Uncertainty exists as to whether the pending \$277M DELCORA deal actually closes. We are relatively confident in WTRG's ability to gain PaPUC approval though it remains early days. Recently on 8/31, OCA's request (citing COVID) for a 60-day extension of the statutory deadline to 3/26/21 was granted whereas Delaware County's petition (which was supported by OCA and BI&E) to stay the proceeding in its entirety until the Court of Common Pleas litigation (discussed below) concludes was denied – neither should have caused WTRG shares to underperform in our opinion. Key remaining items under the PaPUC's updated procedural schedule issued 9/4 include standard public input hearings on 9/16, intervenor testimony due on 9/29, evidentiary hearings begin 11/9 and a recommended decision by 1/20. While the PaPUC docket is certainly worth monitoring, we consider the courts to be the critical path to deal closure.

There is a complaint in the Court of Common Pleas of Delaware County filed by Delaware County regarding essentially the County Council's attempt to (1) dissolve DELCORA based on an ordinance the County Council passed on 6/4/20 and/or (2) dispute the legality of the irrevocable trust and therefore gain access to the \$210M of net sales proceeds (after DELCORA debt pay down) earmarked for the trust fund. If successful on #1, the County Council may argue that the asset purchase agreement with Aqua Pennsylvania is unenforceable. On #2, the County Council would like to see at least some of the proceeds go for taxpayer benefit (offset forecasted tax increases) versus just ratepayers. DELCORA's plan, as outlined when the deal with WTRG was announced in September 2019, is to create a rate stabilization fund (via the trust) that will keep ratepayers' annual bill increases at 3% or less over the next 8 years despite the massive amount of capital that needs to be invested into the system.

A hearing in the court case was held last Wednesday (9/9). WTRG interpreted the judge's tone as leaning positive based on the strong legal arguments in support of the transaction. However, the timeline for resolution appears like it will (not surprisingly) take longer than management originally thought. It is our understanding that the next scheduled court hearing on 9/23 will predominately focus on the issues around the trust while the final hearings are not slated to conclude until 10/21. As such, the judge's ruling might not come until late October at the earliest unless of course a settlement is reached.

Despite this uncertainty, WTRG pulled the trigger on a roughly \$300M forward stock offering in mid-August. WTRG could of course elect cash settlement if all of the equity is not ultimately needed (we estimate roughly half is for non-DELCORA deals). Regardless, it is somewhat reminiscent of the share issuance "jumping of the gun" by WTRG & SJW in the recent Peoples & CTWS mergers where ultimate regulatory approval did not come for another roughly 9 months.

That all being said, it is our understanding that the deal is not necessarily dead if the court rules in Delaware County's favor. According to WTRG management, dialogue from the new all-Democrat County Council members seems to support system privatization efforts. Therefore it could be possible to perhaps re-cut the deal – whether that could be done through exclusive negotiations or if the County Council would put the DELCORA system out for bid is unclear (would open the door for others, like AWK who has previously expressed an interest in acquiring the system, to come in and compete). However, if the court only sides with Delaware County regarding the trust and the County Council is able to get their hands on some/all of the sale proceeds, the deal

could still happen it would just result in higher rates for DELCORA ratepayers as WTRG seeks recovery of the significant capital upgrades needed with lower/no funds set aside to help offset the impact.

- **Quick Repairs Tax Update.** The only other WTRG development since the Q2'20 call worth noting relates to Peoples pending request for treatment of the repairs tax catchup benefit. Initial intervenor statements regarding WTRG's proposal were filed on 8/26. Not surprisingly OCA and BI&E expressed concerns regarding the balance of ratepayer and shareholder interests. That said, WTRG was not surprised by the parties' stated positions.

Recall, WTRG filed in early August for PaPUC treatment of the catch up portion of the Peoples repairs tax deduction election. The filing outlined a \$381M catch up deduction and proposed to share the benefits between customers (40%) and shareholders (60%). For customers it would amount to a \$14M/year benefit (in the form of a nearly 2% surcredit on the average monthly bill) over 4 years beginning 1/1/21. The remaining benefit would be deferred and amortized as an offset to income tax expense over the 2023-2025 period – specifically, 5% in 2023, 35% in 2024 and 60% in 2025 – in an effort to offset normal regulatory lag while essentially keeping the earned ROE consistent with allowed levels. This would extend the time between the next base rate case to approximately 6 years (delay the need for a base rate increase effective prior to 1/1/2026 per Peoples' current projections) while supporting the elevated pace of capex deployment needed to replace pipes and drive safety improvements.

WTRG had communications with regulators and other key parties prior to making this filing which makes us hopeful that the proposal will be positively received and that a constructive outcome will ensue, perhaps via a settlement. Approval of the shareholder benefit aspect of the request would increase our confidence in the gas utilities' ability to achieve our forecast – we assume gas utility earned ROEs of 10-10.3% which we believe is reasonable and consistent with Peoples 2019 rate order. On the flip side, if the PaPUC decides to go a different direction with the catchup benefits, we still believe our 2023 & beyond EPS levels are reasonable within the backdrop of the constructive PA regulatory framework. It could simply necessitate filing for a base rate increase sooner which would bring with it associated regulatory risk.

Acronyms:

BI&E – the PaPUC's Bureau of Investigation and Enforcement
 DELCORA – Delaware County Regional Water Quality Control Authority
 ESG – Environmental, Social, Governance
 FMV – Fair Market Value
 LDC – Local Distribution Company
 LTIIP – Long-Term Infrastructure Improvement Plan
 OCA – Office of Consumer Advocate
 PaPUC – Pennsylvania Public Utility Commission
 S&P – Standard & Poor's

Ticker, Rating, Price (9/11/20)

AWK, Equal Weight, \$141.1

AWR, Equal Weight, \$73.44

SJW, Equal Weight \$59.72

Source: Wells Fargo Securities, LLC, FactSet

Price Target

Price Target: \$45 from NC

Our \$45/share price target reflects both a P/E multiple and DDM analysis. In terms of P/E, we apply a 70% water/30% gas utility hybrid multiple to our 2022E of \$1.77. For WTRG's water utility multiple, we ascribe a 5-10% discount to the 21E multiple we use for AWK (30X, which is a 5-10% premium to the pure play water peer group median). We consider AWK to be WTRG's closest peer on the water side based on scale, key states/regions and municipal consolidation strategies. The 5-10% discount reflects a modestly lower earnings growth rate (we forecast 6-7% for WTRG's water business vs. 8% for AWK) as well as lower ESG appeal (primarily due to the Peoples gas utility). For WTRG's gas utility multiple, we utilize the 21E pure play gas LDC median of 18X (based on ATO, NWN, OGS & SR) and then apply a 5-10% premium to it. We believe a premium is warranted as (1) Peoples is at the early stages of a multi-year accelerated pipeline replacement effort which is expected to drive healthy rate base growth for the foreseeable future (WTRG's 3-year guidance is 8-10%), (2) we believe Western PA, which sits above the prolific Marcellus and Utica shale plays, is largely immune to the anti-gas sentiment impacting some areas of the country and (3) most of Peoples falls under the constructive PA regulatory framework. Key risks relate to regulatory, Peoples gas deal integration and M&A strategy execution.

Investment Thesis

Our Overweight rating is premised on our belief that WTRG shares do not fully reflect the company's strong fundamentals which include a proven EPS growth strategy, a rate base that is growing at a mid-to-upper single digit CAGR, constructive regulatory treatment (particularly in PA where roughly 70% of earnings are derived), an efficient operating model and a solid financial profile. We believe relatively low risk, regulated EPS growth of at least 6% is achievable driven by the timely rate recognition of elevated pipeline infrastructure investment needs for the foreseeable future supplemented by water/wastewater municipal M&A trends.

Company Description

Headquartered in Bryn Mawr, PA, Essential Utilities (WTRG) - formerly Aqua America - is one of the largest U.S.-based investor-owned regulated water and wastewater utilities. The company serves approximately 3 million residents (1 million customer connections) in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia. WTRG's largest subsidiary, Aqua Pennsylvania, accounts for approximately half of the company's total water customer base and nearly 70% of consolidated water rate base. Going forward, the company has expressed a desire to accelerate customer growth through a more active and focused acquisition strategy across its entire portfolio.

In March 2020, WTRG closed on the acquisition of Peoples - a predominately Pennsylvania-based gas utility serving 740k customers - from SteelRiver Infrastructure Partners for an enterprise value of \$4.275B (includes \$1.3B of assumed debt). From a price perspective, WTRG paid 1.9-2.0X rate base, 14.8X EV/EBITDA and nearly 25X P/E - lofty multiples but not that dissimilar to other gas utility transactions. Management expects the deal to be EPS accretive in the first full year after close (2020) but stressed this is a strategic-driven, not synergy-driven, transaction.

Regulated operations account for more than 99% of consolidated revenues. Consolidated EPS is expected to be driven roughly 70% by water utility operations with the gas utility contributing the remaining 30%.

In February 2020, the new name Essential Utilities, Inc. and new ticker WTRG became effective. Prior, the company was known as Aqua America Inc. and traded under the ticker WTR.

Rating Basis Information:

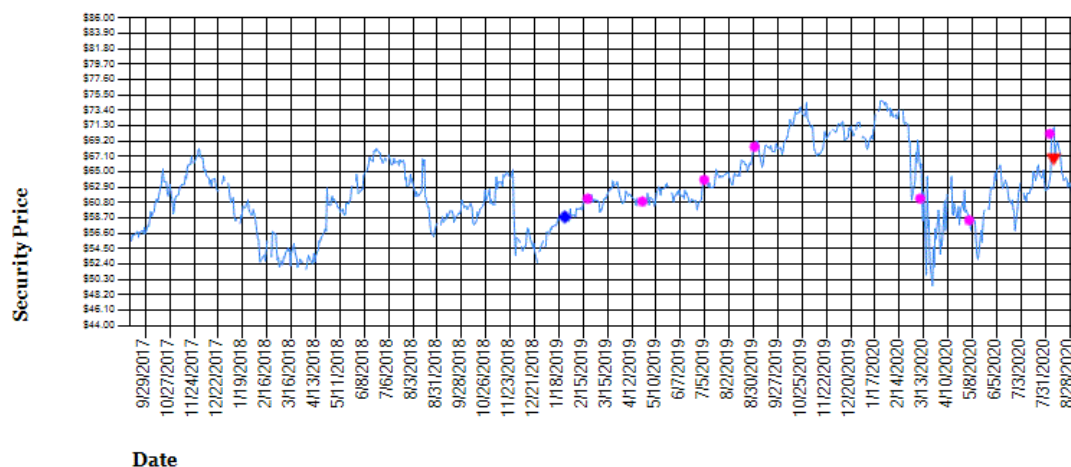
AWK Thesis: We believe AWK is well positioned to capitalize on favorable industry dynamics which should lead to above average rate base, EPS and DPS growth. Our Equal Weight rating reflects the fact that shares trade at roughly 10% premiums to water utility peers on our 21E & 22E EPS which we believe is adequate. While we consider AWK's EPS (8.0-8.5%) and dividend (9%) growth prospects as well as management team best in class for the water industry (as well as top tier for our utility coverage in general), takeout and liquidity/scarcity premiums that are arguably embedded in the water median multiple should not apply to AWK. In addition, we are cognizant of the fact that water utilities as a whole trade at roughly 55% premiums to regulated electric and gas peers.

AWR Thesis: We regard AWR as a low risk water utility with a growing dividend that operates under generally constructive CA regulatory principles. That said, the overall constructiveness of CA regulation has been called into question recently and bears monitoring. On the non-regulated side, we believe ASUS could contribute 20-25% to consolidated EPS with upside potential if new military contracts are awarded. Our Equal Weight rating reflects valuation considerations as shares trade at roughly 10% P/E premiums to water utility peers on our 21E & 22E EPS. We consider a 5-10% premium warranted as AWR has the industry's strongest balance sheet and credit metrics (no new equity is needed) as well as a good financial track record (management consistently executes/delivers strong results). However, those positives are partially offset by an EPS CAGR (6-7%) that is largely commensurate with peers and heightened regulatory risk.

SJW Thesis: We regard SJW as a relatively low-risk water utility with a secure and growing dividend. Despite the CTWS merger which added regulatory diversity, roughly 60% of utility earnings are derived from California. As such, SJW remains highly dependent upon California regulation which offers the state's utilities generally constructive regulatory principles. That said, the constructiveness of CA regulation has been called into question recently and SJW's lack of a full decoupling mechanism exposes earnings to a degree of volatility that other CA water utilities do not currently face. Our Equal Weight rating is premised on the fact that, given recent outperformance, shares of SJW now trade at only 7-8% discounts to "pure play" water utility peers on our 21E & 22E EPS. While we think shares could continue to "re-rate" a little more over time, the pathway and timing combined with the magnitude of upside is less compelling from a risk/reward standpoint today.

Required Disclosures

SJW Group (SJW) 3-yr. Price Performance



Date	Published Price (\$)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price (\$)
Reeder						
1/28/2019	58.50	1	70	NE	NE	58.43
2/21/2019	61.24	1	74	NE	NE	61.24
4/25/2019	60.66	1	72	NE	NE	60.66
7/5/2019	62.79	1	76	NE	NE	63.75
9/2/2019	68.33	1	80	NE	NE	68.33
3/11/2020	66.10	1	78	NE	NE	61.08
5/5/2020	58.80	1	67	NE	NE	58.24
8/7/2020	70.04	1	76	NE	NE	70.04
8/11/2020	71.06	2	76	NE	NE	66.43

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

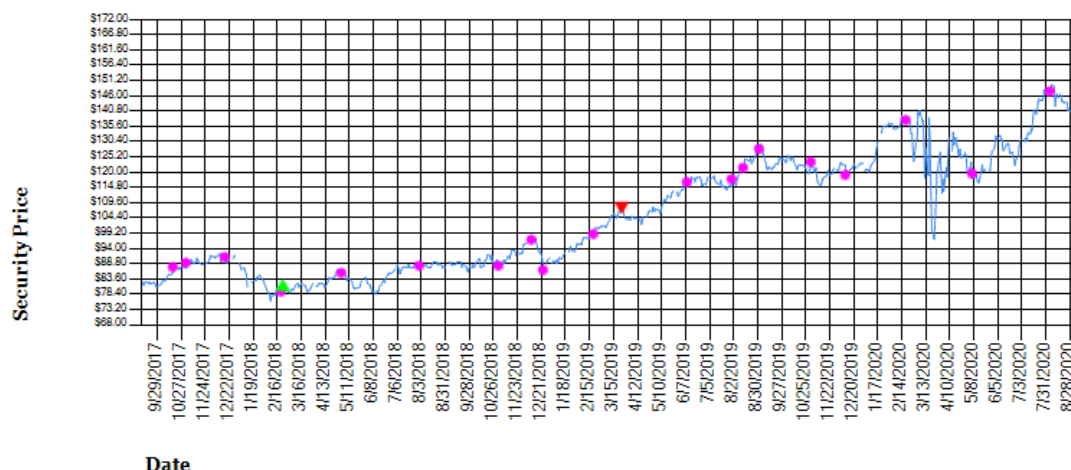
Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Overweight/Buy
- 2 Equal Weight/Hold
- 3 Underweight/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

American Water Works Company, Inc. (AWK) 3-yr. Price Performance



Date	Published Price (\$)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price (\$)
9/11/2017		Reeder				
9/11/2017	NA	2	84	NE	NE	82.92
10/19/2017	86.22	2	89	NE	NE	87.24
11/3/2017	89.45	2	92	NE	NE	88.76
12/18/2017	90.82	2	95	NE	NE	90.49
2/21/2018	78.85	2	83	NE	NE	78.85
2/25/2018	80.63	1	88	NE	NE	80.63
5/3/2018	85.29	1	95	NE	NE	85.29
8/2/2018	87.54	1	100	NE	NE	87.54
11/2/2018	88.33	1	97	NE	NE	87.38
12/11/2018	96.48	1	104	NE	NE	96.48
12/24/2018	91.19	1	101	NE	NE	86.31
2/20/2019	98.66	1	109	NE	NE	98.66
3/26/2019	107.20	2	111	NE	NE	107.20
6/9/2019	116.29	2	120	NE	NE	116.29
8/1/2019	117.02	2	122	NE	NE	117.02
8/14/2019	121.83	2	128	NE	NE	121.20
9/2/2019	127.32	2	133	NE	NE	127.32
11/1/2019	123.27	2	131	NE	NE	122.78
12/12/2019	118.44	2	128	NE	NE	118.43
2/20/2020	138.70	2	147	NE	NE	137.30
5/7/2020	120.74	2	125	NE	NE	119.08
8/6/2020	146.93	2	136	NE	NE	146.97

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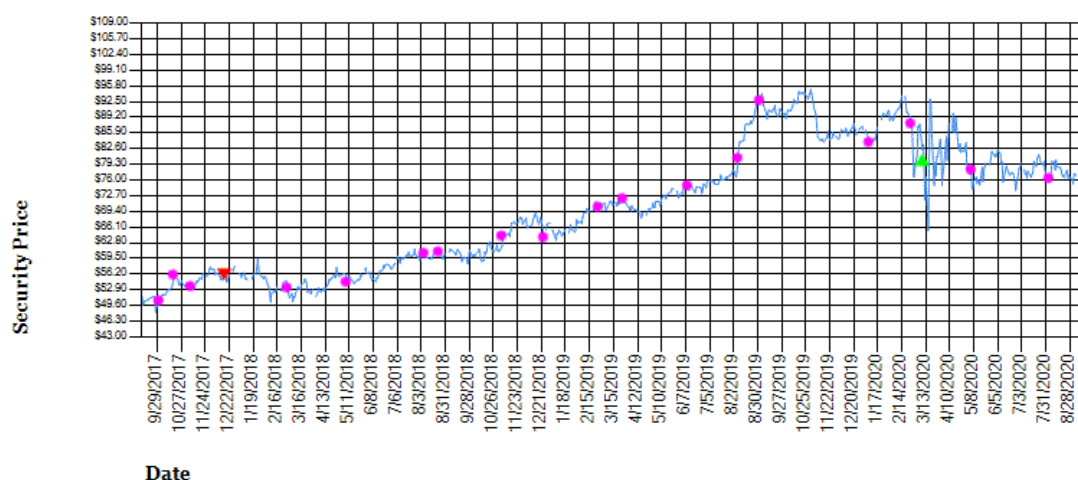
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- ▼ Rating Downgrade
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- Price Target/Val Range Change
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- Split Adjustment

Rating Code Key

- 1 Overweight/Buy
- 2 Equal Weight/Hold
- 3 Underweight/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

American States Water Company (AWR) 3-yr. Price Performance



Date	Published Price (\$)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price (\$)
9/11/2017		Reeder				
9/11/2017	NA	2	46	NE	NE	51.53
10/2/2017	49.96	2	48	NE	NE	50.40
10/19/2017	55.03	2	51	NE	NE	55.85
11/7/2017	53.44	2	50	NE	NE	53.44
12/18/2017	56.68	3	50	NE	NE	55.62
2/28/2018	54.29	3	48	NE	NE	53.12
5/8/2018	54.42	3	49	NE	NE	54.42
8/7/2018	59.98	3	54	NE	NE	60.51
8/24/2018	61.06	3	52	NE	NE	60.81
11/6/2018	64.05	3	56	NE	NE	64.05
12/24/2018	67.38	3	58	NE	NE	63.65
2/26/2019	70.12	3	62	NE	NE	70.13
3/26/2019	71.94	3	63	NE	NE	71.94
6/9/2019	74.72	3	67	NE	NE	74.72
8/7/2019	80.41	3	72	NE	NE	80.41
9/2/2019	92.53	3	77	NE	NE	92.53
1/8/2020	83.59	3	78	NE	NE	83.59
2/25/2020	87.67	3	87	NE	NE	87.67
3/11/2020	83.47	2	84	NE	NE	79.80
5/5/2020	77.96	2	76	NE	NE	77.96
8/4/2020	76.03	2	79	NE	NE	76.03

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Symbol Key

▼ Rating Downgrade

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■ Analyst Change

□ Split Adjustment

Rating Code Key

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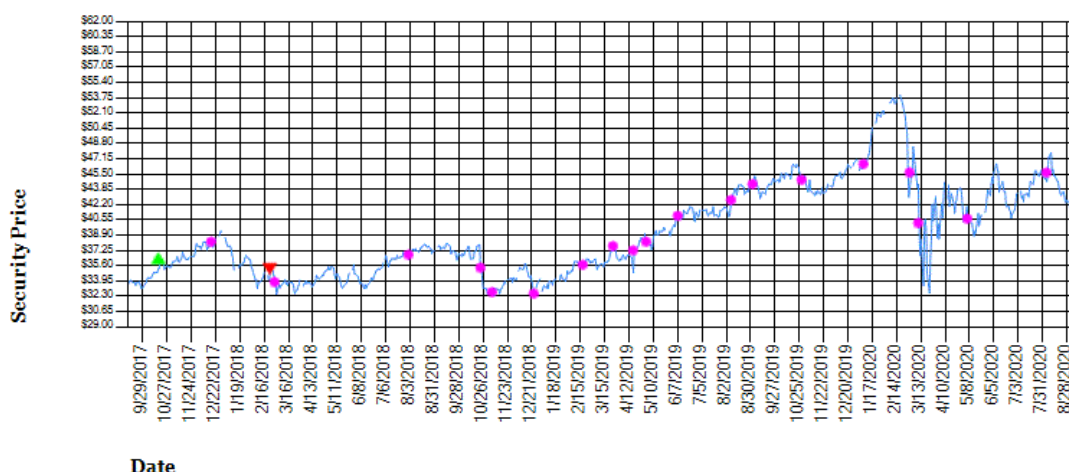
3 Underweight/Sell

SR Suspended

NR Not Rated

NE No Estimate

Essential Utilities, Inc. (WTRG) 3-yr. Price Performance



Date	Published Price (\$)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price (\$)
9/12/2017		Reeder				
9/12/2017	NA	2	35	NE	NE	33.88
▲ 10/19/2017	35.30	1	40	NE	NE	36.03
● 12/18/2017	38.14	1	43	NE	NE	38.03
▼ 2/25/2018	35.00	2	37	NE	NE	35.00
● 3/1/2018	34.19	2	36	NE	NE	33.66
● 8/2/2018	36.70	2	38	NE	NE	36.70
● 10/24/2018	35.01	2	37	NE	NE	35.29
● 11/6/2018	32.70	2	35	NE	NE	32.59
● 12/24/2018	33.87	2	34	NE	NE	32.38
● 2/19/2019	35.54	2	36	NE	NE	35.52
● 3/26/2019	37.52	2	39	NE	NE	37.52
● 4/18/2019	36.52	2	38	NE	NE	37.15
● 5/3/2019	37.85	2	39	NE	NE	38.09
● 6/9/2019	40.84	2	42	NE	NE	40.84
● 8/8/2019	42.06	2	44	NE	NE	42.47
● 9/2/2019	44.29	2	47	NE	NE	44.29
● 10/29/2019	44.90	2	46	NE	NE	44.68
● 1/8/2020	46.51	2	48	NE	NE	46.51
● 3/2/2020	43.01	2	45	NE	NE	45.44
● 3/11/2020	44.41	2	48	NE	NE	40.03
● 5/7/2020	40.49	2	42	NE	NE	40.53
● 8/6/2020	45.56	2	45	NE	NE	45.56

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Overweight/Buy
- 2 Equal Weight/Hold
- 3 Underweight/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

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AWK: Key risks include regulatory and profitably executing the non-regulated and tuck-in acquisition growth strategies.

AWR: Key risks include California regulatory, lack of geographical diversity and ASUS construction levels.

SJW: Key risks include regulatory, CTWS acquisition related and potential to aggressively pursue additional M&A growth.

WTRG: Key risks relate to regulatory, Peoples gas deal integration and M&A strategy execution.

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1=Overweight: Total return on stock expected to be 10%+ over the next 12 months. BUY

2=Equal Weight: Total return on stock expected to be 0-10% over the next 12 months. HOLD

3=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

VOLATILITY RATING

V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: September 14, 2020

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